

YEAR 19 **Nonresident Withholding Waiver Request**
(Non-Real Estate)

CALIFORNIA FORM

588

Part I TYPE OF INCOME SUBJECT TO WITHHOLDING (please check appropriate box)

☐ Partnership ☐ Limited Liability Company (LLC) ☐ Payment to Independent Contractor ☐ Rents or Royalties ☐ Estate or Trust Distribution ☐ Other Payments _____ (Specify)

Part II

Name of requester _____ Attention or care of name _____

Address (where you want waiver sent) (number and street) _____

City, state and ZIP code _____ Daytime telephone number () _____

Part III

Name of Withholding Agent(s), Partnership(s) or LLC(s) _____

Address _____ City, state and ZIP code _____

Contact person _____ Telephone number () _____ FAX number () _____

Social security number, California corporation number, federal employer identification number (F.E.I.N.) or Secretary of State file number _____

If more space is needed, please attach a separate list.

☐ Check the box if you would like a copy of the waiver sent to the Withholding Agent.

Part IV

| Name(s) of Vendor(s), Partner(s) or Member(s) | Social security number, California corporation number or federal employer identification number (F.E.I.N.) | Reason (See below. Use the applicable letter codes.) |
|---|--|--|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

If more space is needed, please attach a separate list.

Part V REASON FOR WAIVER REQUEST

- A** I (we) are presently filing California state income tax return(s) and making estimated tax payments when required.
- B** Tiered partnership or LLC – supply names, addresses & F.E.I.N.s or Secretary of State file numbers of tiered partnerships or LLCs.
- C** Partner(s) or member(s) included in composite return.
- D** Vendor/partner/member is a corporation that is not qualified to do business and does not have a permanent place of business in California, but is filing a tax return based on a combined report with a corporation which does have a permanent place of business in California.
- E** Partner or member is a newly admitted partner or member. A newly admitted partner or member is any entity that becomes a partner or member in the above listed partnership(s) or LLC(s) after the end of the partnership's or LLC's taxable year.
- F** Other – attach specific reason and your calculation of the reduced rate to this request. Include substantiation (e.g. detailed estimate of annual total of California source income and income from all sources). Also include an estimate of annual income and distributions from the above listed partnership or LLC.

Part VI

Under penalties of perjury, I declare that I have examined this request, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than withholding agent, partner or member) is based on all information of which preparer has any knowledge.

REQUESTER'S SIGNATURE _____ TITLE _____ DATE _____

For Privacy Act Notice, see form FTB 1131 (individuals only).

Do not write in this space.

I: _____ T: _____ A: _____ E: _____ R: _____
F: _____ OTHER: _____

Instructions for Form 588

Nonresident Withholding Waiver Request (Non-Real Estate)

General Instructions

A Purpose of Form

Use Form 588 to request a waiver or a reduced withholding rate on distributions of California source income to nonresident vendors, partners or members.

Do not use Form 588 to request a waiver or reduced withholding rate if you are a:

- foreign partner or member. There are no provisions in the California Revenue and Taxation Code (R&TC) to waive or reduce withholding for foreign partners or members; or
- nonresident seller of California real estate. Nonresident sellers of California real estate should use Form 597-A, Nonresident Withholding Waiver Request for Real Estate Sales.

Form 588 does not apply to payments for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information contact your local EDD office.

B Law

California R&TC Section 18662 and the related regulations require withholding on certain payments made to nonresidents for income received from California sources. The withholding rate is seven (7) percent unless a reduced rate or a waiver is approved by the Franchise Tax Board (FTB).

C Income Subject to Withholding

The items of income subject to withholding include, but are not limited to:

- compensation for services performed in California by nonresidents (including payment of expenses). For more information, get FTB Pub. 1023, Nonresident Withholding – Independent Contractor, Rent and Royalty Guidelines, or FTB Pub. 1024, Nonresident Withholding – Entertainment Guidelines;
- payments made to nonresidents for rents if the payments are made in the course of the withholding agent's business;
- payments to nonresidents for royalties paid for the right to use natural resources located in California;
- distributions of California source income to nonresident beneficiaries from an estate or trust;
- prizes and winnings received by nonresidents for contests in California;
- partnership or LLC income, gain or (loss) allocable under IRC Section 704 to a foreign nonresident partner or member;
- distributions of California source income to a domestic (nonforeign) nonresident partner or member. For more information get FTB Pub. 1017, Nonresident Withholding – Partnership Guidelines. **Note:** There are no provisions in the California R&TC to waive or reduce withholding for foreign partners or members; and
- other payments of California source income made to nonresidents.

Compensation for services includes payments for services rendered in California, commissions paid to salesmen or agents for orders received or sales made in California, fees for professional services rendered in California, and payments to entertainers, wrestlers, boxers, etc., for performances in California.

When compensation is paid for services performed both within and outside of California, the portion paid for services rendered in this state and subject to

withholding should be determined by an allocation. Refer to Form 587, Nonresident Income Allocation Worksheet.

Amounts that are attributable to the disposition of California real estate, as defined in R&TC Section 18662, must be included in the amount to be withheld upon under IRC Section 1446 for state purposes. Include these amounts under California source partnership income subject to withholding on Form 592, Section B, Part II.

D Exceptions to Withholding

Withholding is not required when:

- the payment is for goods;
- the payment is being made to a resident of California, to a corporation, to a partnership or to an LLC which has a permanent place of business in California. Form 590, Nonresident Withholding Exemption Certificate, can be used by vendors, partners or members to certify that they are residents of California or have a permanent place of business in California. The signed form containing this certification should be retained by the withholding agent and should be provided to the FTB upon request. The withholding agent will be relieved of the withholding requirements if they rely in good faith on a signed certification (Form 590) that the vendor, partner or member is a resident of California or has a permanent place of business in California. If the resident, corporation, partnership or LLC which has a permanent place of business in California is acting as an agent for the actual vendor, partner or member, this exception does not apply;
- the total payments of California source income to the vendor, partner or member by the withholding agent are \$1,500 or less for the calendar year;
- the payments are for income from intangible personal property, such as interest and dividends unless derived in a trade or business or the property has acquired a business situs in California;
- the payments are for services performed outside of California or for rents, royalties and leases on property located outside of California. If nonresidents occasionally enter California to perform duties contracted entirely outside of California (such as reporting, receiving instructions, accounting, etc., incidental to their duties outside of California), such activity will not subject them to withholding requirements;
- the vendor, partner or member is a tax-exempt organization under either California or federal law;
- the vendor, partner or member receives a written authorization from the FTB waiving the withholding;
- the domestic (nonforeign) nonresident partner or member provides the partnership or LLC with a signed Form 590-P, Nonresident Withholding Exemption Certificate for Partners and Members; or
- the income of nonresident partners or members, including a bank or corporation, is derived from qualified investment securities of an investment partnership.

E Who May Complete this Form

Either the withholding agent, partnership or LLC or the vendor, partner or member may complete and sign this form.

F When and Where to File

Waiver or reduced rate requests should be made as soon as possible before payment is made to give the FTB time to review the request.

Send Form 588 to:

Franchise Tax Board
Attn: Nonresident Vendor or Partnership
Waivers
P.O. Box 651
Sacramento, CA 95812-0651
FAX (916) 845-4831

G General Information

If a request is granted, the FTB will issue a withholding waiver. A withholding agent must have a withholding waiver authorizing a reduced rate or a waiver of withholding before reducing or eliminating withholding on payments made to nonresidents. The waiver should be retained by the withholding agent for a minimum of five years.

Withholding waivers issued by the FTB apply only for the limited purpose of determining the withholding obligation under R&TC Section 18662. The maximum time a withholding waiver may be issued is two years from the date the waiver is granted. The acceptance of evidence submitted with the application is not binding on the FTB for any purpose other than for the issuance of a withholding waiver.

Use Form 592, Nonresident Withholding Annual Return; Form 592-A, Nonresident Withholding Remittance Statement; and Form 592-B, Nonresident Withholding Tax Statement, to report and remit withholding to the FTB.

H Where to Get Additional Information

For additional information about nonresident withholding refer to FTB Pub. 1023 or contact the Withhold at Source Unit at (916) 845-4900.

Specific Instructions

Complete the entire form and attach the information supporting your request. Failure to include necessary information and documents may delay issuance of, or result in the denial of the waiver or reduced rate request.

Part I – Check the box indicating the type of payment for which a waiver or reduced withholding is being requested.

Part II – Enter the name, address and to whose attention the withholding certificate is to be mailed. Include a daytime telephone number we can call if additional information is needed.

Part III – List the names of the withholding agent(s), partnership(s) or LLC(s) making the payments. Attach additional forms if necessary.

Part IV – List the name(s) and social security number(s) or FEIN(s) of the nonresident vendor(s), partner(s) or member(s) being paid. Attach additional forms if necessary.

Under reason, use the letter code of the reason for the waiver request from those listed in Part V.

Part V – This is a list of the most common reasons for requesting a waiver and the information needed to substantiate the request.

Part VI – Sign and date the request.